

Message Text

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ACTION PM-03

INFO OCT-01 ARA-06 ISO-00 NSC-05 SP-02 SS-15 CIAE-00

INR-07 NSAE-00 AID-05 IGA-01 MC-02 TRSE-00 OMB-01

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TO SECSTATE WASHDC 7645

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JCS WASHDC

S E C R E T SECTION 1 OF 2 BOGOTA 2592

E.O. 11652: GDS

TAGS: MASS

SUBJECT: AMBASSADOR'S OVERVIEW--SECURITY ASSISTANCE FY 77-81

FROM THE AMBASSADOR

REF: STATE 15489

1. SUMMARY. THIS CABLE IS IN RESPONSE TO REFTEL'S REQUEST FOR MY OVERALL ASSESSMENT OF PROPOSED SECURITY ASSISTANCE. IT COMMENTS ALSO ON THE POM SUBMISSION. MAP-T AND FMS CREDIT ASSISTANCE TO COLOMBIA ARE USEFUL FOR OUR BASIC OBJECTIVE OF MAINTAINING FRIENDLY CONSTRUCTIVE COOPERATION WITH THE COLOMBIAN ARMED FORCES, AND WOULD BE HELPFUL IN THEIR DEFENSE MODERNIZATION. COLOMBIAN DEFENSE EXPENDITURES HAVE STEADILY DECLINED OVER THE PAST TEN YEARS AS A PERCENT OF TOTAL GOVERNMENT EXPENDITURES. AS A RESULT OF THE "DECAPITALIZATION" THAT HAS OCCURRED THE MINISTRY OF DEFENSE (MOD) HAS PROJECTED A FIVE -YEAR RE-EQUIPMENT PLAN WHICH CONTEMPLATES A FRONT-LOADED ONE-SHOT MAJOR EXPENDITURE IN FY 77 AND LESS IN SUCCEEDING YEARS. THE MOD HAS ASKED FOR OUR SUPPORT. MY ANALYSIS LEADS ME TO MAKE A SOME-

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WHAT DIFFERENT RECOMMENDATION THAN THAT CONTAINED IN THE

POM. WHILE I AGREE TO APPROXIMATELY THE SAME AGGREGATE AMOUNT OF FMSC DURING THE PLANNING PERIOD, I RECOMMEND A DIFFERENT DISTRIBUTION. I RECOMMEND A PEAK ALLOCATION OF 26.5 MILLION FOR FY 77 AND A RATHER SHARPER DECLINES THEREAFTER, RATHER THAN A SIMPLE STRAIGHTLINING OF A SET AMOUNT FOR EACH YEAR. THIS WOULD RELATE OUR ASSISTANCE MORE REALISTICALLY TO THE MOD'S PLAN AND WOULD AT THE SAME TIME EMPHASIZE THE PRINCIPLE THAT CASE PURCHASES SHOULD INCREASE AS A PERCENT OF TOTAL EXPENDITURES. IT WOULD ALSO SHOW A DESIRABLE RESPONSIVENESS AT A TIME WHEN VENEZUELA IS PLANNING HEAVY CASH PURCHASES WHICH THE GOC CANNOT MATCH. I ALSO RECOMMEND A SLIGHT INCREASE IN MUE-T LEVELS IN LATER YEARS. THESE RECOMMENDATIONS ARE CONTAINED IN THE CASP AND THE ISSUE IS ANALYZED MORE FULLY THERE. MILGRP HAS CONCURRED IN THESE RECOMMENDATIONS. END SUMMARY.

2. THE NEED FOR CONTINUED MILITARY ASSISTANCE TO COLOMBIA. WHILE COLOMBIA HAS SOME STRATEGIC IMPORTANCE TO THE US, OUR MAJOR CONCERN FOR CONTINUED MILITARY ASSISTANCE IS MORE POLITICAL THAN MILITARY IN NATURE. THE ARMED FORCES HAVE RESPECT AND INFLUENCE IN COLOMBIAN POLITICAL LIFE. THEY WOULD BE LIKELY TO ASSUME AN EVEN MORE COMMANDING ROLE IN COLOMBIAN POLITICS IN THE EVENT OF A SERIOUS DETERIORATION IN THE POLITICAL SITUATION. FAVORABLE DISPOSITION OF THE COLOMBIAN ARMED FORCES TOWARDS THE US, THEREFORE, BECOMES A SUPPORTABLE US INTEREST. MODEST LEVELS OF CONTINUED MILITARY ASSISTANCE, CONSISTENT WITH THE EXPRESSED NEEDS OF THE MINISTRY OF DEFENSE, CAN GO A LONG WAY TO PRESERVE AND IMPROVE US-COLOMBIAN MILITARY COOPERATION. THE COLOMBIAN GOVERNMENT COULD THEORETICALLY AFFORD TO BUY ALL THE ASSISTANCE WE PRESENTLY PROVIDE THROUGH MAP-T AND OUR MILGROUP; BUT IS NOT LIKELY TO ALLOCATE THE HEAVY CASH SUMS NEEDED FOR MODERNIZATION IMMEDIATELY. TO THE EXTENT THAT WE PROVIDE THE GOCNVDDED RESOURCES FOR DEFENSE MODERNIZATION, MORE OF THEIR OWN RESOURCES CAN BE USED TO SUPPORT ECONOMIC DEVELOPMENT EFFORTS WHICH ARE ALSO BENEFICIAL TO LONGER TERM US INTERESTS. THE REVERSE IS NOT NECESSARILY TRUE (SEE 4 BELOW).

3. EFFECTIVENESS OF MILITARY ASSISTANCE. OUR MILITARY ASSISTANCE EFFORTS, IN GENERAL, HAVE BEEN SUCCESSFUL IN PROMOTING GOOD-SECRET

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WILL BETWEEN THE US AND THE COLOMBIAN ARMED FORCES. GIVEN ITS RELATIVELY SMALL SIZE, OUR ASSISTANCE IS NOT CRITICAL TO THE SUCCESS OR FAILURE OF COLOMBIAN MODERNIZATION EFFORTS, BUT IT IS USEFUL.

4. THE IMPACT ON MILITARY ASSISTANCE REQUIREMENTS OF OTHER ASSISTANCE TO COLOMBIA. COLOMBIA COULD RECEIVE AS MUCH AS \$250 MILLION EACH YEAR IN EXTERNAL ECONOMIC ASSISTANCE FROM

THE WORLD BANK AND THE IDB FOR THE NEXT FIVE YEARS. AT THE SAME TIME, OUR OWN BILATERAL ASSISTANCE PROGRAM IS BEING SCALED DOWN TO ABOUT \$20-25 MILLION PER YEAR. IN ADDITION, COLOMBIA RECEIVES SOME TOKEN THIRD COUNTRY MILITARY ASSISTANCE. HOWEVER, DEVELOPMENT ASSISTANCE REQUIREMENTS TO BE FINANCED BY FOREIGN CAPITAL CAN BE EXPECTED TO GROW OVER THE POM PLANNING PERIOD AND, THEREFORE, SUCH ASSISTANCE IS NOT LIKELY TO MAKE AVAILABLE MORE GOC RESOURCES FOR DEFENSE. AT THE SAME TIME, THE GOC FIVE YEAR MILITARY MODERNIZATION PLAN SUGGESTS THAT REQUESTS FOR DEFENSE MODERNIZATION EXPENDITURES WILL GROW MORE RAPIDLY THAN ECONOMIC DEVELOPMENT BUDGET OUTLAYS, ESPECIALLY IN THE LIGHT OF PROBABLE VENEZUELAN PURCHASES OF EQUIPMENT.

5. RECENT TRENDS IN THE COLOMBIAN DEFENSE BUDGET. OUR ANALYSIS OF COLOMBIAN DEFENSE EXPENDITURES OVER THE LAST TEN YEARS REVEALS THAT (A) IN GENERAL, DEFENSE SPENDING AS A PERCENT OF TOTAL GOVERNMENT EXPENDITURES HAS DECLINED FROM NEARLY 15 PERCENT OF GOVERNMENT EXPENDITURES IN 1965 TO 7 PERCENT IN 1974, (B) DEFENSE EXPENDITURES ARE BECOMING AN INCREASINGLY SMALLER PART OF GDP OR ECONOMIC OUTPUT, (THAT IS, THE ECONOMY IS GROWING FASTER THAN DEFENSE EXPENDITURES), (C) US ASSISTANCE AS A PERCENT OF TOTAL DEFENSE EXPENDITURES HAS DECLINED FROM 12 PERCENT IN 1965 TO LESS THAN ONE-HALF OF ONE PERCENT OF DEFENSE EXPENDITURES IN 1974. THIS MEANS THAT US MILITARY ASSISTANCE HAS BEEN DECLINING AT THE SAME TIME THAT THE GOC HAS BEEN DE-EMPHASIZING DEFENSE EXPENDITURES. SINCE THE ECONOMY GREW VERY RAPIDLY DURING THIS TEN YEAR PERIOD, DEFENSE EXPENDITURES ALSO GREW. HOWEVER, SINCE 1968 THEY GREW ONLY AT ABOUT ONE-THIRD THE REAL RATE OF THE BUDGET AS A WHOLE. (INTERESTING STATISTICAL DATA IN THIS REGARD IS BEING POUCHED.)

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6. THE MOD MODERNIZATION PLAN. THE POM TRANSMITS THE FIVE YEAR PROCUREMENT PLAN RECENTLY DEVELOPED BY THE COLOMBIAN MINISTRY OF DEFENSE. TO THE BEST OF OUR KNOWLEDGE IT REPRESENTS THE FIRST TIME THE MOD HAS MADE ANY LONG TERM PROJECTIONS ON INVESTMENT REQUIREMENTS. IT IS NOT A PARTICULARLY GOOD PLANNING EFFORT FROM A FINANCIAL AND PROCUREMENT POINT OF VIEW. IT IS NOT AN OVERALL INVESTMENT PACKAGE, BUT RELATES TO THE PURCHASE OF EQUIPMENT FROM THE US ONLY. THE PLAN SHOULD REPRESENT A SIZEABLE PORTION OF THEIR INVESTMENT NEEDS TO BE PURCHASED ABROAD. IT CALLS FOR DOLLAR PURCHASES OF \$19 MILLION, 53 MILLION, 38 MILLION, 33 MILLION AND 18 MILLION FOR EACH YEAR, 1975 THROUGH 1979, RESPECTIVELY. IF THE POLITICAL DECISION IS MADE TO APPROVE THIS PACKAGE, IT WILL MEAN SUBSTANTIAL INCREASES IN DEFENSE BUDGET OUTLAYS, OR SOMETHING LIKE A 20 PERCENT ADDITIONAL INCREASE IN 1975 AND A 40 PERCENT ADDED INCREASE IN THE PEAK YEAR 1977. WHILE COLOMBIA IS LIKELY TO BE ABLE TO AFFORD THESE COSTS IN TERMS OF OVERALL FOREIGN EXCHANGE AVAILABILITIES, IT IS QUESTIONABLE WHETHER BUDGET DECISION MAKERS WILL AUTHORIZE SUCH A LARGE DEFENSE "CATCH-UP" IN TERMS OF REGAINING DEFENSE'S FORMER SHARE OF THE NATIONAL BUDGET. ON THE OTHER HAND, IF VENEZUELA MAKES SUBSTANTIAL CASH PURCHASES OF MODERN EQUIPMENT, THE GOC MAY WELL AUTHORIZE GREATER DEFENSE
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OUTLAYS OR SEEK SUBSTANTIAL CREDIT.

7. PRIORITIES WERE NOT ESTABLISHED IN THE PLAN BETWEEN SERVICES AS TO WHICH ITEMS WERE MORE IMPORTANT, NOR WAS ANY ATTEMPT MADE TO ESTABLISH PRIORITIES BETWEEN BRANCHES OF THE SAME SERVICE. WE DO NOT BELIEVE THE COLOMBIANS TOOK INTO ACCOUNT THE ADDED O AND M COSTS ASSOCIATED WITH THEIR PURCHASES. HOWEVER, WE BELIEVE MOST OF THE ITEMS REQUESTED WOULD BE NEEDED TO MODERNIZE THE COLOMBIAN ARMED FORCES.

8. FMS CREDIT LEVELS. IN ESTABLISHING FMS PLANNING LEVELS FOR THE POM PERIOD IT IS NECESSARY TO TAKE INTO ACCOUNT (A) COLOMBIA'S RELATIVELY POOR PAST PERFORMANCE IN USING FMS CREDITS, (B) THE MODERNIZATION PACKAGE AND THE POSSIBILITY THAT IT MAY BE TAKEN SERIOUSLY BY COLOMBIAN RESOURCES ALLOCATORS, (C) OUR DESIRE NOT TO GIVE THE GOC THE IMPRESSION THAT WE FAVOR OIL-RICH VENEZUELA OVER COLOMBIA, AND (D)

WASHINGTON GUIDELINES TO MOVE WHEREVER POSSIBLE FROM GRANTS
TO CREDITS TO CASH PURCHASES. ON THIS BASIS, I WOULD
RECOMMEND FMS LEVELS ACCORDING TO THE FOLLOWING SCHEDULE:

IN MILLIONS OF DOLLARS)					
	FY 76	FY77	FY78	FY79	FY80
MOD PACKAGE					
TOTALS	19	53	38	33	18
US PROPOSED					
PERCENTAGE OF					
FINANCING THROUGH					
FMS CREDITS	90	50	25	12:5	12.5 PERCENT
MAXIMUM FMS					
CREDIT LEVELS					
POSSIBLE	17.0	26.5	9.5	4.1	2.3

UNDER THIS PLAN WE WOULD BE ABLE TO RESPOND TO A GOC REQUEST
FOR SUBSTANTIAL FMS CREDIT LOANS ESPECIALLY WHEN COMPARED TO
ACTUAL PAST DRAW DOWNS, WHILE AT THE SAME TIME, WE WOULD
CLEARLY ESTABLISH THE PRINCIPLE THAT THEIR CASH PURCHASES WOULD
HAVE TO INCREASE AS A PERCENT OF TOTAL EXPENDITURES. THE
RISK WE WOULD RUN WOULD BE THAT THE GOC MAY CONTINUE TO ASSIGN
THE MOD A LOW PRIORITY IN THE ALLOCATION OF RESOURCES, IN
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WHICH CASE WE WILL HAVE UNUSED FMS CREDITS IN COLOMBIA. IN
THEAT CASE HOWEVER SINCE THERE IS A MULTI-YEAR PERIOD AVAIL-
ABLE FOR THEIR USE, WE COULD ADJUST THE BACK END OF THE PLANNING
PERIOD DOWNWARD.

9. MAP TRAINING. THE GOC FINDS THIS PROGRAM VERY USEFUL. IN
FACT, WE CALCULATE THAT THEY PUT UP TWO DOLLARS IN FOREIGN
EXCHANGE FROM THEIR OWN BUDGET FOR EACH DOLLAR WE SPEND ON
ACTUAL TRAINING. THEIR ABSORPTIVE CAPACITY IS NOW AT THE
\$500. THOUSAND DOLLAR LEVEL PER YEAR. THEREFORE, IT WOULD BE
USEFUL TO PLAN \$600 THOUSAND FOR 1976 AND INCREASE THE FIGURE
SLIGHTLY EACH YEAR TO TAKE INTO ACCOUNT INFLATION DURING
THE PLANNING PERIOD. FOR THE YEARS FY 77 TO 81,
I RECOMMEND 700 THOUSAND, 800 THOUSAND, 800 THOUSAND,
900 THOUSAND AND 900 THOUSAND. MAP TRAINING REQUESTS
MIGHT INCREASE SUBSTANTIALY IF THE MOD INVESTMENT
PACKAGE IS ADOPTED. IF THIS DEVELOPS, I WOULD PROPOSE
THAT WE REVIEW THE SITUATION AGAIN WITH THE GOC AND
POSSIBLY SUBMIT A REVISED MAP-T TRAINING REQUEST AT
THAT TIME.
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